

DISTRIBUTION

Retirement Plan Committee Meeting – Quarterly Report

Minutes of May 23, 2012

Meeting called to order at 1:35

ATTENDEES

Committee Members

Justin Hess
Terry Stevenson
Cindy Giraldo
Darrin Borders
Grant Stephens

City Staff

Carrie Matson
Nonna von Sonn

Guests

Kevin Chen –
HewittEnnisKnupp
Penny Abbott – ICMA-RC
Lori Riley – ICMA-RC
Matt Pruitt – ICMA-RC

INTRODUCTION

The meeting was officially called to order at 1:35 by Carrie Matson. Cindy Giraldo moved to approve the minutes of the February 22nd meeting. A second was made by Darrin Borders. It was realized that there was not a quorum for the vote and the vote will occur later in the meeting or at the next meeting.

The Retirement Plan Committee consists of seven members, including new member Grant Stephens, the BFF Union Representative, replacing Mark Hatch. Also, Justin Hess will be staying on the committee although he is changing from Deputy City Manager to Management Services Director, replacing Judie Wilke. And, Joy Forbes, Deputy City Manager, will be replacing Justin's (Deputy City Manager) spot on the committee.

Introductions were made.

Aon Hewitt

Kevin passed out meeting materials, including the Quarterly Performance Evaluation Report.

First topic of discussion was the Quarterly Performance Evaluation Report for the period ending March 31, 2012. Going through the book, key items that were pointed out were:

- January and February were the strongest months in years which led to a good quarter. MSCI and Russell were both up significantly while Domestic Fixed

Income was a little slow as was the International Fixed Income. Overall, a good quarter.

- US Market Indices Performance was generally up with the laggard being the Russell 2000. But, for the US Market Sector Performance, growth in technology was up.
- Fixed Income was less rosy but did have some sectors that outperformed such as Barclay's High Yield and JP Morgan – high risk with a greater yield. For the International Equity, the performance was also up – good quarter but down for the year. MSCI Japan was up, showing that Japan is recovering nicely. On the other hand, Europe is continuing to drag down the other markets. However, globally, the market is looking better.
- On the fund watch list, we have Perkins Mid Cap Value as well as Perkins Small Cap Value. Long term, these two may be high quality managers, but they have been allocated to cash (Small Cap has 15% and Mid Cap has 10%) which has hurt results. They are closed to new investors and Kevin recommends to monitor Perkins although he still thinks that they are strong and a stable firm. Cindy also recommended that Perkins be on watch.
- Royce Value Plus had been put on watch by the committee last meeting. They did have a good first quarter and are now up in the top 30 and up by 15%, but Kevin does not feel as strongly about Royce. Kevin posed the question if the committee would like to do a competitive review/analysis and also realized that Royce should have still been on the watch list. It was agreed that a decision will be made after the competitive review and analysis as to whether Royce will remain or not. Comments for both Perkins and Royce were reviewed.
- The Asset Allocation by Segment was reviewed and then Asset Allocation by Manager and it now indicates that JP Morgan has replaced PIMCO. Carrie reminded the committee that the part-time employees pay ½ of their contribution (1/2 of 7.65) while the City matches it.

Kevin then moved on to the Plan Review which gives an overview of Burbank's plan and compares the plan to peers and leading industry standards. There was a correction on page 13 – Matthew Pruitt corrected the Automatic Enrollment Default Fund to be the Milestone Fund, not the Vantage Trust Fund. Kevin also reminded the committee that their responsibility is to offer a wide variety of funds for the participants to choose from. Overall, the City of Burbank is very well rounded on what is offered.

The Quarterly Research Packet was handed out for reference as a summary of the quarter.

There were also two handouts that give a review of Perkins' Small Cap Value Fund and Mid Cap Value.

Carrie asked about discussing the Investment Policy Statement but the item is being pushed to the next meeting date. Carrie requested that any and all comments be sent to her and she will compile them for a consolidated review.

IN-HOUSE ICMA-RC UPDATE

Matt's first topic is that of the Administrative Allowance. There is quite a bit building up and the committee needs to decide what to do with it. It is growing at approximately \$75,000 a quarter, although that was mainly due to the fact that the Great West money had moved over. Ideas:

- Increase education about the services offered.
- Give the money back to the participants as a deposit. (popular)
- Costs can be cut.
- Reduce Plus Fund base points.
- Possibly look into a 401(a) set up – no added cost to the City or to the participants and it would allow for up to \$50,000 in contributions. A downside to the 401(a) is that if you touch the money before you are 59 ½, there is a 10% penalty. Carrie proposed that we have a presentation in August. Matt will be emailing Carrie a copy of a Sanitation letter that addresses this topic.

Lori stated that the Beneficiary Letter would be mailed to all participants on May 30th and will include a return envelope but will also include directions for updating/changing beneficiaries online.

Penny mentioned that she and Jason Scharp (ICMA-RC Financial Planner) did presentations around the City for the Retirement Income Advantage Fund and for Managed Accounts. Jason did a few other presentations around the City, as well. The best attended presentations tend to be the ones held in the CSB. The online scheduler is working well and Penny had approximately 104 individual meetings since January. Jason also held individual meetings.

Carrie mentioned a few remaining discussion topics:

- The contract with AON has been extended through 2012. Carrie needs to know about preparing an RFP and it should be started over the summer. Terry moved to prepare an RFP. A second was made by Justin. The vote was unanimous.
- FY 12-13 Work Program – Roth IRA contributions and additional loan payments through payroll. Cindy would prefer that the loan payment idea would be the priority.
- Future meetings will be 2 hours.
- BPOA is submitting a letter regarding stock options. Carrie will email it to the committee for review and it will be presented on August 22nd but ONLY for a vote to move to re-open for review. This is a process of an appeal since the committee already voted "NO". The August meeting will not be open to the public for this and Terry will look into the question about this situation being a violation of the Brown Act.
- Next meeting is August 22 at 1:30.

ADMINISTRATIVE ALLOWANCE UPDATE

2010 4TH Quarter = \$ 25,536.46

2011 1st Quarter = \$ 39,088.25

2011 2nd Quarter = \$ 40,864.10

2011 3rd Quarter = \$ 40,483.75

2011 4th Quarter = \$ 64,810.64

2012 1st Quarter = \$ 75,557.77

SEC Settlement = \$ 40.00

Total Received = \$286,380.97

INVOICES PAID (from Administrative Account)

April 2010 (\$13,000)

October 2010 (\$12,000)

January 2012 (\$52,000)

Total Paid to Date (\$77,000)

BALANCE TO DATE \$209,380.97

The meeting was adjourned at 2:55.

Minutes taken by Nonna von Sonn.